



# Updates from the Field TECHNICAL NOTES

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## A HEALTH INSURANCE PROGRAM FOR INDIGENTS

### Background

With the signing of the National Health Insurance Program into law in 1995, the Philippine Government committed itself to provide universal insurance coverage to its people within 15 years. In line with this mandate, the Philippine Health Insurance Corporation (PhilHealth) implemented three programs directed at specific sectors: the formally employed, the individually paying, and indigents. The second category includes the self-employed, those belonging to the informal sector, overseas workers, those separated from employment, Filipino employees of international organizations and foreign governments based in the Philippines, and all other individuals not covered under the other two categories.

The program for the formal sector is the original Medicare Program of the Philippine Medical Care Commission, which started in the early 1970s. The Indigent Program was launched in 1998, while the Individually Paying Program began in 1999. The benefit package is the same for all members, that is, it covers inpatient and outpatient hospital services. At this time, only indigents benefit from a limited package of outpatient diagnostic services provided in PhilHealth-accredited rural health units.

The USAID-funded Health Sector Reform Technical Assistance Project assists PhilHealth to achieve its goal of universal coverage through PhilHealth Plus. PhilHealth Plus is a strategy to accelerate the achievement of the universal coverage mandate of PhilHealth.

### How the Indigent Program Works

The Indigent Program, popularly known as *Medicare Para Sa Masa* (Medicare for the Masses), is the heart of the National Health Insurance Program. It is the mechanism by which the national government plans to provide high-quality and affordable health care services to the marginalized

sector, particularly the bottom 25% of the population who cannot afford to pay premiums.

PhilHealth implements the Indigent Program in partnership with the Local Government Units (LGUs). Under this partnership, the national government, through PhilHealth, shares the costs of enrolling indigents in the program. Because LGUs receive a limited share of tax revenues, PhilHealth has also recently tapped members of congress, national government agencies, and the private sector for support.

The annual premium required to provide Medicare coverage to an indigent household amounts to PhP1,188 (US\$24). The national government's share varies depending on the income classification of the LGU. Table 1 shows the cost-sharing schedule between the national government and the LGUs for the Indigent Program.

Table 1. National Government-LGU Premium Sharing				
LGU Class (Based on Income)	Year	Nat'l Gov't: LGU Ratio	National Gov't (PhP)	LGU (PhP)
1 <sup>st</sup> -3 <sup>rd</sup>	1 <sup>st</sup> onward	50:50	594.00	594.00
4 <sup>th</sup> -6 <sup>th</sup>	1 <sup>st</sup> & 2 <sup>nd</sup>	90:10	1,069.20	118.80
	3 <sup>rd</sup>	80:20	950.40	237.60
	4 <sup>th</sup>	70:30	831.60	356.40
	5 <sup>th</sup>	60:40	712.80	475.20
	6 <sup>th</sup> onward	50:50	594.00	594.00

The partnership between the national government and LGUs is forged through a memorandum of agreement (MOA). The program may cover indigents through premium sharing between PhilHealth and a province, city, or municipality. Municipalities may opt either to have individual MOAs with PhilHealth or to enter into an MOA with the province (as one of the signatories). In some instances, only



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Department of Health

the province signs the MOA (and pays the premium), but the benefits accrue to all municipalities in the province.

The program is implemented in three steps:

1. The Local Government Unit (LGU) passes: (a) a resolution adopting the program, (b) an ordinance creating a PhilHealth capitation fund, and (c) an ordinance setting the premium contribution.
2. The LGU signs a memorandum of agreement with PhilHealth.
3. The LGU identifies the beneficiaries through a survey done by the Local Social Welfare Development Officer.

The Indigent Program is being implemented in two phases:

- Phase 1 (curative care), for the “unified” regular inpatient and outpatient benefits through accredited hospitals;
- Phase 2 (preventive care), for the outpatient consultation and diagnostic benefits through accredited rural health units and/or health centers.

Benefits under Phase 1 are portable, that is, they can be obtained from any accredited hospital, while under Phase 2, clients are assigned to specific accredited health centers, making benefits nonportable. See Box 1 for the benefit packages of each phase.

Potential program members are identified based on a survey conducted in connection with the implementation of the Community-Based Information System - Minimum Basic Needs. The Local Social Welfare Development Officers conduct the survey and certify the list of qualified indigents, which is submitted to PhilHealth for encoding and processing of identification cards. Each member is issued an ID card, which the member must present to the health provider to use services. Only the principal member gets an ID card, but all his or her qualified dependents may benefit



A client presenting her PhilHealth ID card to a health staff at the Sagay City Health Center

### Box 1. The Indigent Program's Benefit Package

#### Phase 1: Regular Inpatient and Outpatient Package (through PhilHealth-Accredited Hospitals/Providers)

- Room and board
- Services of health care professionals
- Diagnostic, laboratory, and other medical examination services
- Prescription drugs and biologicals, subject to certain limitations
- Surgeon's fee, anesthesiologist's fee, operating room fees
- Surgical family planning procedures
- Inpatient education packages
- Outpatient services, e.g. chemotherapy, radiotherapy, hemodialysis, cataract extraction, minor surgical procedures performed in an operating room complex

#### Phase 2: Outpatient Consultation and Diagnostic Package (through Accredited, LGU-Managed Rural Health Units/ Health Centers)\*

- Primary consultation with the physician
- Laboratory examinations for complete blood count, chest x-ray, stool examination, urinalysis, and sputum microscopy for suspected TB cases

\* Preventive services such as health screening activities, health education, and counseling will soon be included in Phase 2's benefit package.

from enrollment. The steps for obtaining services appear in Box 2. Box 3 shows how claims are processed.

For Phase 2 implementation, priority is given to the 526 urban municipalities, as defined in the National Urban Development and Housing Framework developed by the

### Box 2. How to Obtain Benefits

#### Phase 1:

1. Upon hospitalization, the member or dependent presents his or her PhilHealth ID and completes the required PHIC form.
2. Program beneficiaries can use the services listed in the *Unified Benefit Schedule* of the National Health Insurance Program.
3. Beneficiaries are entitled to a total of 90 days' confinement period, 45 days of which is allotted to the member, with the remaining 45 days to be shared by the dependents.

#### Phase 2:

1. Each indigent household is assigned to an accredited health center. PhilHealth provides these facilities with a master list of indigent members.
2. If there is more than one accredited LGU-owned health center, the City/Municipal Health Office is responsible for assigning members and allocating funds to each health center under the guidance of PhilHealth.

### Box 3. Processing of Claims

#### Phase 1:

1. The accredited hospitals file their claims using the prescribed PHIC form. It is the responsibility of the hospital to ensure that the PHIC form is properly completed and signed by the physician on or before issuance of the Order of Discharge.
2. All completed PHIC forms are submitted to the Medicare and Billing Section of the hospital or its equivalent.
3. The hospitals must file all claims for payment within 60 calendar days from the day of discharge. If the claim is sent through mail, the date of mailing as stamped by the Post Office will be considered as the date of filing.
4. Medical claims that are filed by accredited hospitals for services reimbursable by PhilHealth will be paid directly to the hospital.

Housing and Urban Development Coordinating Council, and to the health sector reform convergence sites of the Department of Health, namely, Pangasinan, Nueva Vizcaya, Negros Oriental, Capiz, South Cotabato, Misamis Occidental, Bulacan, and Pasay City. The 526 municipalities were prioritized because health facilities are already in place in these areas, and the president singled out these areas in her most recent State of the Nation address.

The Indigent Program supports local government autonomy. The financing scheme is such that the LGUs' efforts to improve financial management go hand in hand with the national government's efforts to augment the LGUs' funds for health. Of the PhP1,188 annual premium contribution for each indigent family, PhilHealth retains PhP888 to fund the hospitalization program or Phase 1. The remaining PhP300 (US\$6) is released back to the LGU under Phase 2 to constitute the PhilHealth capitation fund, which ensures that the relevant benefit package is provided and enables the LGUs to upgrade their health facilities and services. The funds may be used to purchase drugs listed in the Philippine National Drug Formulary, and medical equipment and supplies. The funds may also be used to pay referral fees (for example, for chest x-rays, which are not offered in the rural health unit) and administrative costs, not exceeding 20% of the total amount. The outpatient consultation and diagnostic benefit package is provided through LGU rural health units/health centers that meet PhilHealth's accreditation standards.

The program enables LGUs to optimize their investments in health. For the same amount of investment, LGUs can provide hospitalization coverage to more people by forging a partnership with PhilHealth rather than by doing it on their own. Now that the LGUs are autonomous and are free to allocate funds to projects of their choice, the national

government is ready to provide counterpart funds, as a form of incentive, to LGUs that give priority to health. This makes program implementation a shared responsibility between the LGU and the national government, through PhilHealth. See Box 4 for a summary of the benefits of the Indigent Program to LGUs, PhilHealth, and the beneficiaries.

### The Sagay City Experience

Sagay City, one of the first LGUs to enroll in the Matching Grant Program of the Department of Health, is located in the Province of Negros Occidental (Western Visayas Region). It is one of four LGUs currently implementing both phases of the Indigent Program.

Sagay City's introduction to the program came in the last quarter of 1999, when PhilHealth representatives conducted an orientation for the City Mayor, *Sangguniang Bayan* (City Council) members, and City Health Officer to encourage them to participate in the program. Soon after, the Sangguniang Bayan passed a resolution authorizing the City Mayor to sign an MOA with PhilHealth for the enrolment of the city's indigent families in the program. In January 2000, Sagay City remitted its initial premium contributions to PhilHealth. The PhilHealth IDs were distributed in April 2000 during a *pulong-pulong* (assembly) organized for each *barangay* (village) to orient them on the program and its benefits. A team composed of the Local Social Welfare Development Officer, midwives, and Barangay Health Workers (BHWs) conducted the series of orientations.

#### Box 4. Why Participate in the Indigent Program?

##### For the LGU:

- Allows access to national government resources for health
- Enhances cost efficiency and effectiveness
- Improves health care delivery

##### For PhilHealth:

- Facilitates realization of its mandate of universal coverage
- Develops the LGUs as major financing and service delivery partners
- Enables it to fulfill its role in health sector reforms and poverty alleviation

##### For the beneficiaries:

- Enables them to receive free or subsidized hospitalization benefits
- Provides access to preventive care through the accredited rural health units
- Allows them to enjoy the same treatment accorded to paying patients



Signing of MOA between Sagay City and PhilHealth

Sagay City pays its premium contributions annually under a 50-50 sharing scheme with PhilHealth. Its initial payment was in the amount of Php2.9 million (US\$58,000) for 4,907 beneficiaries. This increased to Php3.4 million (5,731 families) and Php3.56 million (6,000 families) in 2001 and 2002, respectively. To date, 20% of Sagay's families are enrolled in the Indigent Program.

To be able to implement Phase 2 of the program and be entitled to the capitation fund, Sagay City worked for the accreditation of its main health center. The certification of the health center as *Sentrong Sigla* (a Center of Vitality) ensures that it will be able to provide high-quality services and thus be accredited by PhilHealth. By the last quarter of 2000, PhilHealth had accredited Sagay's main health center and by December of the same year, the city received its first capitation fund in the amount of Php367,950 (US\$7,359) for 4,907 beneficiaries.

The capitation fund is supposed to be released quarterly, but Sagay receives its capitation fund every six months. To date, Sagay has received three fund releases totaling Php1.1 million (US\$23,732). About 13% of the total amount has been used to cover administrative costs, while some 6% went to procurement of medical supplies, leaving a balance of Php969,925 (US\$19,398). In accordance with PhilHealth guidelines, a maximum of 20% of each release goes to administrative costs.

For Phase 1 (hospital-provided benefits), the number of claims per month ranges from 50 to 55, with an average three-day stay, at a cost ranging from Php1,500-2,000 (US\$30-40). Meanwhile, the main health center has a monthly average of 90 PhilHealth clients. The health center

gives priority to PhilHealth members in the allocation of medicines and supplies. It provides PhilHealth members the full course of medication as long as the medicines are available in the pharmacy. The City Health Office submits a monthly report to PhilHealth, with copies to the Accounting Office, that indicates the names of patients, laboratory procedures carried out, medications provided, and diagnoses.

One of the benefits under Phase 2 is chest x-rays. Considering that there are no x-ray machines in health centers, the LGUs have adopted different strategies to be able to provide the service to their clients. In the case of Sagay, the City Health Office provides x-ray films to the district hospital to cover the requirements of the referred PhilHealth clients. The City Health Office gives clients referral letters to ensure that the hospital provides the service free of charge.

Identifying indigents has been the main challenge for Sagay City in program implementation. The names of some qualifying individuals were replaced with those of people more closely affiliated with some barangay captains. During the survey, some respondents gave erroneous information so they could qualify. The Department of Social Welfare and Development of Sagay City has implemented measures to avoid such problems. It now conducts a thorough review of the qualifications of new applicants and those for renewal, and closely monitors the issuance of PhilHealth cards.

## The Status of Program Implementation

As of December 2001, the program covers a total of 133 cities or provinces and 990 municipalities. This translates into 613,576 indigent families or about 2.8 million individuals.

Phase 2 of the program is now being implemented in the provinces of Laguna (Southern Tagalog Region) and Capiz (Western Visayas) and in the cities of Sagay (Western Visayas) and Pasay (Metro Manila). Meanwhile, the provinces of South Cotabato (Southern Mindanao) and Batangas (Northern Luzon) and the cities of Valenzuela and Makati (Metro Manila) are in the process of completing PhilHealth's accreditation requirements and will soon be implementing Phase 2.

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